

COMMISSIONERS
MIKE GLEASON - Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE



ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES
Commissioner

Direct Line: (602) 542-4143
Fax: (602) 542-0765
E-mail: kmayes@azcc.gov

September 24, 2007

Mr. James S. Pignatelli
President and CEO
Tucson Electric Power
P.O. Box 711
Tucson, AZ 85702

Dear Mr. Pignatelli:

Recently, I participated in the Alternative Energy EXPO 2007 in Tucson, a forum focused on promoting the development of renewable energy in Arizona sponsored by the Pima Association of Governments.

At this conference, Mr. Tom Hansen, Tucson Electric Power Company's ("TEP") vice president and technical services adviser, presented his views of the future of solar energy in Arizona, including his prediction that Arizona can be "100 percent solar by the year 2100" and "50 percent solar by 2050." Mr. Hansen, who is a resident of St. Johns in Apache County, went on to state that, "Solar is Arizona's future", and that "there's no reason we can't make Tucson's air as good as St. Johns' air."

Additionally, Mr. Hansen voiced his opinion that, in order to help spur the Arizona marketplace for big wind generation, the Arizona Legislature should adopt a wind production tax incentive akin to one in New Mexico that appears to be luring many wind developers to that state.

I was pleasantly surprised at the tone of Mr. Hansen's statements, and am writing today to ask several follow-up questions.

First, is it the official opinion of TEP that Arizona should adopt a wind tax incentive like that in New Mexico and if so, will TEP be involved in efforts during the upcoming Legislative session to press for such legislation? Does TEP have suggestions for how such legislation should be crafted?

Second, does TEP possess data that support or inform Mr. Hansen's statements regarding the potential for building out solar capacity in Arizona over the coming century? If so, please provide the Commission that information.

Finally, as you know, TEP is required under the Corporation Commission's Renewable Energy Standard to file an implementation plan to meet the RES. Given Mr. Hansen's optimistic views

Mr. James Pignatelli
September 24, 2007
Page 2

regarding the potential for solar power in Arizona, and its beneficial impact on TEP's electrical system, I look forward to seeing an implementation plan filed by TEP that reflects Mr. Hansen's statements.

Thank you for addressing these questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Kris Mayes", with a stylized, flowing script.

Kris Mayes
Commissioner

cc: Chairman Mike Gleason
Commissioner William A. Mundell
Commissioner Jeff Hatch-Miller
Commissioner Gary Pierce
Ernest Johnson
Dean Miller
Lace Collins